

subsequent to the retroactive date of our policy.

5. That is covered by any other insurance, including any coverage afforded by any "extended reporting period" provisions; or
6. For which any other insurance does not apply because the amount of the claim is solely within a deductible or self-insured retention.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

"Insured", prior insurer or its agents and that arose from a "medical incident" that occurred subsequent to the retroactive date of our policy

5. That is covered by any other insurance, including any coverage afforded by any "extended reporting period" provisions; or
6. For which any other insurance does not apply because the amount of the claim is solely within a deductible or self-insured retention.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

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AUTHORIZED REPRESENTATIVE

ENDORSEMENT #16

THIS ENDORSEMENT, EFFECTIVE 12:01 A.M. 01/01/00 FORMS A PART OF  
POLICY NO. BE357-43-34 ISSUED TO. INTEGRATED HEALTH SERVICES INC  
BY NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA

EXTENDED REPORTING PERIOD OPTION  
(CLAIMS MADE ONLY)

1. We will provide an Extended Reporting Period only if the policy is either cancelled or not renewed by the Insured or by us for any reason except non-payment of premium. Non-renewal shall mean the refusal by us to renew the policy on any terms. Non-renewal shall not mean change in premium, retained amounts, or any other terms and conditions.
2. A Claim first made, in writing, during the Extended Reporting Period will be deemed to have been made on the last day of the policy period, provided that the Claim is for damages because of Personal Injury or Property Damage or Advertising Injury that occurred before the end of the policy period but not before any applicable retroactive date.
3. The Extended Reporting Period will not reinstate or increase the limits of liability or extend the policy period.
4. The Extended Reporting Period will be as set forth below:
  - a. If no other insurance the Insured purchases to replace this policy applies to the Claim or would apply but for the exhaustion of its applicable limits of liability, an Extended Reporting Period of 60 days from the end of the policy period will apply. This Extended Reporting Period may not be cancelled and requires no additional premium.
  - b. If the Insured makes a written request for an Extended Reporting Period within 30 days after the expiration of the policy period and pays additional premium within 30 days after said request, we will issue an Extended Reporting Endorsement for a period of twelve (12) months from the end of the policy period.

The Extended Reporting Period Endorsement will not take effect unless the additional premium is paid when due. If that premium is paid when due, the endorsement may not be cancelled.

The Extended Reporting Period Endorsement will also amend the Other Insurance condition so that the insurance provided will be excess over any other valid and collectible insurance available to the insured whether primary, excess, contingent or on any other basis, whose policy period begins or continues after the endorsement takes effect.
5. The premium for the Extended Reporting Period Endorsement (Section 4b above) will not exceed 200% of the annual premium for this policy and will be fully earned when the endorsement takes effect.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

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AUTHORIZED REPRESENTATIVE

ENDORSEMENT #17

THIS ENDORSEMENT, EFFECTIVE 12:01 A.M. 01/01/00 FORMS A PART OF  
POLICY NO. BE 357-43-84 ISSUED TO: INTEGRATED HEALTH SERVICES, INC.  
BY NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA

LIMITS OF LIABILITY

It is understood and agreed that the inclusion of claims made coverage to this  
policy shall not act to increase the limits of liability stated on the policy  
declarations page.

All Other Terms And Conditions Of This Policy Remain Unchanged.

AUTHORIZED REPRESENTATIVE

This endorsement, effective 12:01 AM 01/01/2000

Forms a part of policy no.: BE 357-43-84

Issued to: INTEGRATED HEALTH SERVICES INC

By: NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

**EXCESS/UMBRELLA DATE RECOGNITION ENDORSEMENT  
AUTO LIABILITY AND EMPLOYERS' LIABILITY NOT EXCLUDED**

This insurance does not apply to Bodily Injury, Property Damage, Personal Injury or Advertising Injury arising directly or indirectly out of:

A. Any actual or alleged failure, malfunction or inadequacy of:

(1) Any of the following, whether belonging to any Insured or to others:

- (a) Computer hardware, including microprocessors;
- (b) Computer application software;
- (c) Computer operating systems and related software;
- (d) Computer networks;
- (e) Microprocessors (computer chips) not part of any computer system; or
- (f) Any other computerized or electronic equipment or components; or

(2) Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph A.1. of this endorsement.  
due to the inability to correctly recognize, process, distinguish, interpret or accept the year 2000 and beyond.

B. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for any potential or actual problems described in paragraph A. of this endorsement.

However, this endorsement does not apply to Bodily Injury or Property Damage arising out of the ownership, maintenance, operation, use, loading, or unloading of any auto.

Further, this endorsement does not apply to Bodily Injury to any employee of the Insured arising out of and in the course of the employee's employment by the Insured.

All other terms and conditions of this policy remain unchanged.

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AUTHORIZED REPRESENTATIVE

ENDORSEMENT #19

This endorsement, effective 01/01/00 forms a part of  
Policy No: BE 357-43-84 Issued to: INTEGRATED HEALTH SERVICES, INC.  
by NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA

**NAMED PERIL AND TIME ELEMENT POLLUTION ENDORSEMENT**  
(Defense Expenses Outside Retained Limit, Version 2)

Exclusion M of this policy is hereby deleted in its entirety and replaced by the following:

This insurance does not apply to:

1. **Bodily Injury, Property Damage or Personal Injury** arising out of the actual or threatened discharge, dispersal, seepage, migration, release or escape of pollutants anywhere in the world;
2. Any loss, cost or expense arising out of any governmental direction or request that we, the Insured or any other person or organization test for, monitor, clean-up, remove, contain, treat, detoxify, neutralize or assess the effects of pollutants; or
3. Any loss, cost or expense, including but not limited to costs of investigation or attorneys' fees, incurred by a governmental unit or any other person or organization to test for, monitor, clean-up, remove, contain, treat, detoxify or neutralize pollutants.

As used in this exclusion, pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste material. Waste material includes materials which are intended to be or have been recycled, reconditioned or reclaimed.

However, this exclusion does not apply to **Bodily Injury, Property Damage or Personal Injury** arising out of:

1. Any discharge, dispersal, seepage, migration, release or escape directly or indirectly caused by fire, explosion, lightning, windstorm, vandalism or malicious mischief, riot and civil commotion, flood, earthquake, collision or upset of a motor vehicle, mobile equipment or aircraft, automatic sprinkler leakage;
2. The Products - Completed Operations Hazard; or
3. Any discharge dispersal, seepage, migration, release or escape of pollutants that meets all of the following conditions:

- a. It was accidental and neither expected nor intended by the Named Insured. This condition would not serve to deny coverage for a

65581 (06/96)

Page 1 of 3

specific incident where such discharge, dispersal, seepage, migration, release or escape of pollutants was a result of an attempt by the Insured to mitigate or avoid a situation where substantial third party Bodily Injury, Property Damage or Personal Injury could occur; and

- b. It was demonstrable as having commenced on a specific date during the term of this policy; and
- c. Its commencement became known to the Named Insured within seven (10) calendar days and was further reported to the Risk Management Department within a reasonable time frame; and
- d. Its commencement was reported in writing to us within forty (40) calendar days of becoming known to the Risk Management Department; and
- e. Reasonable effort was expended by the Named Insured to terminate the situation as soon as conditions permitted.

However, nothing contained in this provision 3. shall operate to provide any coverage with respect to:

- a. Any site or location principally used by the Insured, or by others on the Insured's behalf, for the handling, storage, disposal, dumping, processing or treatment of waste material;
- b. Any fines or penalties;
- c. Any clean up costs ordered by the Superfund Program, or any federal, state or local governmental authority. However, this specific exclusion 3. shall not serve to deny coverage for third party clean up costs otherwise covered by this endorsement simply because of the involvement of a governmental authority;
- d. Acid rain;
- e. Clean up, removal, containment, treatment, detoxification or neutralization of pollutants situated on premises the Insured owns, rents or occupies at the time of the actual discharge, dispersal, seepage, migration, release or escape of said pollutants; or
- f. Water pollution caused by oil or its derivatives.

It is further agreed that solely as respects any coverage granted by this endorsement:

- 1. We shall only be liable for damages in excess of the Named Peril and Time Element Pollution retained limit as on the Schedule Retained Limits described.

It is further agreed that in the event of a disagreement as to the interpretation of this endorsement, the disagreement shall be submitted to binding arbitration before a panel of three (3) arbitrators. Within thirty (30) days of a written request for arbitration by either you or us, each party will choose an arbitrator. If the two arbitrators are unable to agree within one month upon the third arbitrator, such arbitrator shall at the request of either party be selected by the American Arbitration Association in accordance with its rules and procedures.

The parties shall submit their cases to the panel by written and oral evidence at a hearing time and place selected by the third arbitrator. The panel shall be relieved of all judicial formality, shall not be obligated to adhere to the strict rules of law or of evidence, shall seek to enforce the intent of the parties hereto and may refer to, but are not limited to, relevant legal principles. The decision of at least two (2) of the three (3) panel members shall be binding and final and not subject to appeal except for grounds of fraud and gross misconduct by the arbitrators. The award will be issued within thirty (30) days of the close of the hearings. Each party shall bear the expenses of its designated arbitrator and shall jointly and equally share with the other the expense of the third arbitrator and of the arbitration.

The arbitration proceedings shall take place in the state shown in Item 1 of the Declarations. The procedural rules applicable to this arbitration shall, except as provided otherwise herein, be in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

All other terms and conditions of this policy remain unchanged.

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Authorized Representative



ENDORSEMENT #20

This endorsement, effective 12:01 A.M. 07/02/2000

Forms a part of policy no... BE 3574384

Issued to: INTEGRATED HEALTH SERVICES INC.

BY NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

NAMED INSURED AMENDATORY

In consideration of an additional premium (prepaid until 1/1/2002) of \$150,000, it is understood and agreed the following is added to the policy:

Preferred Care, Inc.

ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.

AUTHORIZED REPRESENTATIVE

ENDORSEMENT #2

This endorsement, effective 12:01 A.M. 07/03/2000

Forms a part of policy no.: BE 3574384

Issued to: INTEGRATED HEALTH SERVICES INC.

BY NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

NAMED INSURED AMENDATORY

In consideration of an additional premium (prepaid until 1/1/2002) of \$12,000, it is understood and agreed the following is added to the policy:

Dunns Creek Limited d/b/a Lanier Manor

ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.

AUTHORIZED REPRESENTATIVE

ENDORSEMENT NO. 22

THIS ENDORSEMENT IS EFFECTIVE 12:01 A.M. January 1, 2000

FORMS A PART OF POLICY NO.: BE 3574384

ISSUED TO: INTEGRATED HEALTH SERVICES INC.

BY: NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

AMENDATORY ENDORSEMENT

It is agreed that Endorsements 1, 10, 15, 16 & 17 are deleted in their entirety.

All other terms and conditions of this policy remain unchanged.

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Authorized Representative

ENDORSEMENT NO. 23

THIS ENDORSEMENT IS EFFECTIVE 12:01 A.M. January 1, 2000

FORMS A PART OF POLICY NO.: BE 3574384

ISSUED TO: INTEGRATED HEALTH SERVICES INC.

BY: NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

RETAINED LIMIT AMENDMENT ENDORSEMENT

1. In Section III, Limits of Insurance Paragraph E., Retained Limit, is deleted in its entirety and replaced by the following:

E. Retained Limit

We will be liable only for that portion of damages in excess of the Limits stated in the Schedule of Retained Limits attached to this policy and then up to an amount not exceeding the Each Occurrence Limits as stated in the Declarations. The Retained Limits shown in the attached Schedule shall apply whether or not the Insured maintains applicable underlying insurance.

Coverage is limited to apply only in excess of the Retained Limits shown in the attached Schedule and only for those coverages for which a Retained Limit is shown; these Retained limits shall include "Defense Expenses."

2. Section II, Defense, is hereby deleted in its entirety and replaced by the following:

II. Defense

- A. We shall have the right and duty to defend any claim or suit seeking damages covered by the terms and conditions of this policy when the applicable Limits shown in the Schedule of Retained Limits have been exhausted by payment of claims to which this policy applies.
- B. When we assume the defense of any claim or suit:
1. We will defend any suit against the Insured seeking damages on account of Bodily Injury, Property Damage, Personal Injury or Advertising Injury even if such suit is groundless, false or fraudulent, but we have the right to investigate, defend and settle the claim as we deem expedient.
  2. We will pay for the following:
    - a. premiums on bonds to release attachments for amounts not exceeding our Limits of Insurance, but we are not obligated to apply or furnish any such bond;

- b. premiums on appeal bonds required by law to appeal any claim or suit we defend, but we are not obligated to apply for or furnish any such bond;
- c. all costs taxed against the Insured in any claim or suit we defend;
- d. pre-judgement interest awarded against the Insured on that part of the judgement we pay. If we make an offer to pay the applicable Limit of Insurance, we will not pay any pre-judgement interest based on that period of time after the offer;
- e. all interest that accrues after entry of judgement and before we have paid, offered to pay or deposited in court the part of the judgement that is within our applicable Limit of Insurance;
- f. the Insured's expenses incurred at our request.

We will not defend any suit or claim after our applicable Limits of Insurance have been exhausted by payment of judgements or settlements.

All expenses we incur in the defense of suit or claim are in addition to our Limits of Insurance.

- g. In all other instances except A. above, we will not be obligated to assume charge of the investigation, settlement or defense of any claim made, suit brought or proceeding instituted against the Insured. We will however, have the right and shall be given the opportunity to participate in the defense and trial of any claims, suits or proceedings relative to any Occurrence which, in our opinion, may create liability on our part under the terms of this policy. If we exercise such right, any expenses we incur in the defense of any suit or claim are included within our Limits of Insurance.

### 3. Additional Definition

"Defense Expenses" means a payment allocated to a specific loss, claim or suit for its investigation, settlement or defense, including but not limited to:

- a. attorneys' fees and all other investigation, loss adjustment and litigation expenses;
- b. premiums on bonds to release attachments;
- c. premiums on appeal bonds required by law to appeal any claim or suit;
- d. costs taxed against the Insured in any claim or suit;
- e. pre-judgement interest awarded against the Insured;
- f. interest that accrues after entry of judgement.

4. In addition to our duties in the event of an Occurrence, claim or suit, as set forth in the conditions section of the policy, you must:

- A. Notify us in writing as soon as practicable, but not later than sixty (60) days after you receive notice of any Occurrence, claim or suit involving:
1. A fatality;
  2. Dismemberment or amputation
  3. Paraplegia or quadriplegia;
  4. Loss or impairment of eyesight or hearing;
  5. A sexual assault or battery, including, but not limited to, rape, molestation or sexual abuse; or
  6. Which in your reasonable judgement, taking into account past anticipated "Defense Expenses" in connection with such Occurrence, claim or suit may result in payments equal to or exceeding 25% of the Retained Limit.

With respect to any claim or suit, you must notify us of any settlement demands by a claimant which exceeds 50% of your Retained Limit and any settlement offers in any amount made by you or on your behalf.

- B. With respect to any claim or suit as set forth in paragraph (a) above, you must forward us, as soon as practicable:
1. all reports prepared by your loss adjustment representative;
  2. all reports prepared by your defense counsel if the matter is in suit;
  3. any other information pertaining to the claim or suit which we request from you, your loss adjustment representative or your defense counsel.
- C. On a quarterly basis, you or your loss adjustment representative must Provide us with a written summary of all Occurrences, claims or suits which have or may result in payments within the Retained Limit. This written summary must show:
1. the date of Occurrence
  2. the name(s) of the injured person(s) or identification of the damaged property;
  3. a description of the injury or damage; and
  4. the amount paid or set aside as a reserve, including "Defense Expenses" on account of the Occurrence, claim or suit.

The duty to provide the information set forth above shall continue until you have paid the full amount of the Self Insured Retention for the claim or suit.

All other terms and conditions of this policy remain unchanged.

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Authorized Representative

## ENDORSEMENT NO. 24

THIS ENDORSEMENT IS EFFECTIVE 12:01 A.M. January 1, 2000

FORMS A PART OF POLICY NO.: BE 3574384

ISSUED TO: INTEGRATED HEALTH SERVICES INC.

BY: NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

DEFENSE IN LIMIT ENDORSEMENT

In Section II, Defense, the last paragraph in provision B. is hereby deleted in its entirety and replaced by the following:

All expenses we incur in the defense of any suit or claim are included within our Limits of Insurance.

Provision C of Section II, Defense, is hereby deleted in its entirety and replaced by the following:

- C. In all other instances except A. above, we will not be obligated to assume charge of the investigation, settlement or defense of any claim made, suit brought or proceeding instituted against the Insured. We will however, have the right and shall be given the opportunity to participate in the defense and trial of any claims, suits or proceedings relative to any Occurrence which, in our opinion, may create liability on our part under the terms of this policy. If we exercise such right, any expenses we incur in the defense of any suit or claim are included within our Limits of Insurance.

All other terms and conditions of this policy shall remain unchanged.

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Authorized Representative

60416 (05/94)

ENDORSEMENT NO. 10

THIS ENDORSEMENT IS EFFECTIVE 12:01 A.M. January 1, 2000

FORMS A PART OF POLICY NO.: BE 3574384

ISSUED TO: INTEGRATED HEALTH SERVICES INC.

BY: NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

FOLLOW-FORM ENDORSEMENT

This insurance does not apply to Bodily Injury, Property Damage, Personal Injury or Advertising Injury arising out of:

**PROFESSIONAL HEALTH CARE LIABILITY**

However, if insurance for such Bodily Injury, Property Damage, Personal Injury or Advertising Injury is provided by a policy listed in the Schedule of Retained Limits:

1. This exclusion shall not apply; and
2. The insurance provided by our policy will not be broader than the insurance coverage provided by the policy listed in the Schedule of Underlying Insurance.

All other terms and conditions of this policy remain unchanged.

AUTHORIZED REPRESENTATIVE

60427(5/94)



## ENDORSEMENT NO. 11

THIS ENDORSEMENT IS EFFECTIVE 12:01 A.M. January 1, 2000

FORMS A PART OF POLICY NO.: BE 3574384

ISSUED TO: INTEGRATED HEALTH SERVICES INC.

BY: NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

It is agreed that the Mailing Address of Item 1. listed on the Declarations Page is amended to read as follows:

910 Ridgebrook Road  
Sparks, MD 21152

All other terms and conditions of this policy remain unchanged.

AUTHORIZED REPRESENTATIVE

# **POLICY ADDENDUM**

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.  
POLICY # 357-43-84  
EFFECTIVE DATE: 01/01/00-01/01/02

**“HEALTH CARE MEDICAL  
PROFESSIONAL LIABILITY AND  
GENERAL LIABILITY”**

IL 00 17 11 85

(11-85)

**COMMON POLICY CONDITIONS**

All Coverage Parts included in this policy are subject to the following conditions.

**A. CANCELLATION**

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
  - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
  - b. 30 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
6. If notice is mailed, proof of mailing will be sufficient proof of notice.

**B. CHANGES**

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

**C. EXAMINATION OF YOUR BOOKS AND RECORDS**

We may examine and audit your books and records as they relate to this policy at any time during the

policy period and up to three years afterward.

**D. INSPECTIONS AND SURVEYS**

We have the right but are not obligated to:

1. Make inspections and surveys at any time;
2. Give you reports on the conditions we find; and
3. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:

1. Are safe or healthful; or
2. Comply with laws, regulations, codes or standards.

This condition applies not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

**E. PREMIUMS**

The first Named Insured shown in the Declarations:

1. Is responsible for the payment of all premiums; and
2. Will be the payee for any return premiums we pay.

**F. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS POLICY**

Your rights and duties under this policy may not be transferred without our written consent except in the cause of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

**COMMERCIAL GENERAL LIABILITY COVERAGE FORM**

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations, and any other person or organization qualifying as a Named Insured under this policy. The words "we," "us" and "our" refer to the Company providing this insurance.

The word "insured" means any person or organization qualifying as such under WHO IS AN INSURED (Section II).

Other words and phrases that appear in quotation marks have special meaning. Refer to DEFINITIONS (Section V).

**SECTION I—COVERAGES****COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY****1. Insuring Agreement.**

- a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may at our discretion investigate any "occurrence" and settle any claim or "suit" that may result. But:

- (1) The amount we will pay for damages is limited as described in LIMITS OF INSURANCE (Section III); and
- (2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS—COVERAGES A AND B.

- b. This insurance applies to "bodily injury" and "property damage" only if:

- (1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory"; and
- (2) The "bodily injury" or "property damage" occurs during the policy period.

- c. Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury."

**2. Exclusions.**

This insurance does not apply to:

**a. Expected or Intended Injury**

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" result-

ing from the use of reasonable force to protect persons or property.

**b. Contractual Liability**

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

- (1) That the insured would have in the absence of the contract or agreement; or
- (2) Assumed in a contract or agreement that is an "insured contract," provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement. Solely for the purposes of liability assumed in an "insured contract," reasonable attorney fees and necessary litigation expenses incurred by or for a party other than an insured are deemed to be damages because of "bodily injury" or "property damage," provided:
  - (a) Liability to such party for, or for the cost of, that party's defense has also been assumed in the same "insured contract"; and
  - (b) Such attorney fees and litigation expenses are for defense of that party against a civil or alternative dispute resolution proceeding in which damages to which this insurance applies are alleged.

**c. Liquor Liability**

"Bodily injury" or "property damage" for which any insured may be held liable by reason of:

- (1) Causing or contributing to the intoxication of any person;
- (2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or
- (3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

Any obligation of the insured under a workers' compensation, disability benefits or unemployment compensation law or any similar law.

**e. Employer's Liability**

"Bodily injury" to:

- (1) An "employee" of the insured arising out of and in the course of:
  - (a) Employment by the insured; or
  - (b) Performing duties related to the conduct of the insured's business; or
- (2) The spouse, child, parent, brother or sister of that "employee" as a consequence of paragraph (1) above.

This exclusion applies:

- (1) Whether the insured may be liable as an employer or in any other capacity; and
- (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

This exclusion does not apply to liability assumed by the insured under an "insured contract."

**f. Pollution**

- (1) "Bodily Injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants:
  - (a) At or from any premises, site or location which is or was at any time owned or occupied by, or rented or loaned to, any insured;
  - (b) At or from any premises, site or location which is or was at any time used by or for any insured or others for the handling, storage, disposal, processing or treatment of waste;
  - (c) Which are or were at any time transported, handled, stored, treated, disposed of, or processed as waste by or for any insured or any person or organization for whom you may be legally responsible; or
  - (d) At or from any premises, site or location on which any insured or any contractors or subcontractors working directly or indirectly on any insured's behalf are performing operations:
    - (i) If the pollutants are brought on or to the premises, site or location in connection with such operations by such insured, contractor or subcontractor; or
    - (ii) If the operations are to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any

or pollutants.

Subparagraph (d)(i) does not apply to "bodily injury" or "property damage" arising out of the escape of fuels, lubricants or other operating fluids which are needed to perform the normal electrical, hydraulic or mechanical functions necessary for the operation of "mobile equipment" or its parts, if such fuels, lubricants or other operating fluids escape from a vehicle part designed to hold, store or receive them. This exception does not apply if the fuels, lubricants or other operating fluids are intentionally discharged, dispersed or released, or if such fuels, lubricants or other operating fluids are brought on or to the premises, site or location with the intent to be discharged, dispersed or released as part of the operations being performed by such insured, contractor or subcontractor.

Subparagraphs (a) and (d)(i) do not apply to "bodily injury" or "property damage" arising out of heat, smoke or fumes from a hostile fire.

As used in this exclusion, a hostile fire means one which becomes uncontrollable or breaks out from where it was intended to be.

- (2) Any loss, cost or expense arising out of any:
  - (a) Request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants; or
  - (b) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

**g. Aircraft, Auto or Watercraft**

"Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and "loading or unloading."

This exclusion does not apply to:

- (1) A watercraft while ashore on premises you own or rent;
- (2) A watercraft you do not own that is:
  - (a) Less than 26 feet long; and
  - (b) Not being used to carry persons or

- (3) Parking an "auto" on, or on the ways next to, premises you own or rent, provided the "auto" is not owned by or rented or loaned to you or the insured;
- (4) Liability assumed under any "insured contract" for the ownership, maintenance or use of aircraft or watercraft; or
- (5) "Bodily injury" or "property damage" arising out of the operation of any of the equipment listed in paragraph f.(2) or f.(3) of the definition of "mobile equipment."
- h. Mobile Equipment**  
 "Bodily injury" or "property damage" arising out of:
- (1) The transportation of "mobile equipment" by an "auto" owned or operated by or rented or loaned to any Insured; or
- (2) The use of "mobile equipment" in, or while in practice for, or while being prepared for, any prearranged racing, speed, demolition or stunting activity.
- i. War**  
 "Bodily injury" or "property damage" due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution. This exclusion applies only to liability assumed under a contract or agreement.
- j. Damage to Property**  
 "Property damage" to:
- (1) Property you own, rent or occupy;
- (2) Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;
- (3) Property loaned to you;
- (4) Personal property in the care, custody or control of the insured;
- (5) That particular part of real property on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations, if the "property damage" arises out of those operations; or
- (6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.
- Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.
- Paragraphs (3), (4), (5) and (6) of this exclusion do not apply to liability assumed under a sidetrack agreement.
- Paragraph (6) of this exclusion does not apply to "property damage" included in the "products-
- k. Damage to Your Product**  
 "Property damage" to "your product" arising out of it or any part of it.
- l. Damage to Your Work**  
 "Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."
- This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.
- m. Damage to Impaired Property or Property Not Physically Injured**  
 "Property damage" to "impaired property" or property that has not been physically injured, arising out of:
- (1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or
- (2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.
- This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.
- n. Recall of Products, Work or Impaired Property**  
 Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:
- (1) "Your product";
- (2) "Your work"; or
- (3) "Impaired property";
- if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.
- Exclusions c. through n. do not apply to damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner. A separate limit of insurance applies to this coverage as described in LIMITS OF INSURANCE (Section III).
- COVERAGE B. PERSONAL AND ADVERTISING INJURY LIABILITY**
- 1. Insuring Agreement.**
- a.** We will pay those sums that the insured becomes legally obligated to pay as damages because of "personal injury" or "advertising injury" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have

tising injury" to which this insurance does not apply. We may at our discretion investigate any "occurrence" or offense and settle any claim or "suit" that may result. But:

(1) The amount we will pay for damages is limited as described in LIMITS OF INSURANCE (SECTION III); and

(2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverage A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS—COVERAGES A AND B.

b. This insurance applies to:

(1) "Personal Injury" caused by an offense arising out of your business, excluding advertising, publishing, broadcasting or telecasting done by or for you;

(2) "Advertising Injury" caused by an offense committed in the course of advertising your goods, products or services;

but only if the offense was committed in the "coverage territory" during the policy period.

2. Exclusions.

This insurance does not apply to:

a. "Personal Injury" or "advertising injury":

(1) Arising out of oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity;

(2) Arising out of oral or written publication of material whose first publication took place before the beginning of the policy period;

(3) Arising out of the willful violation of a penal statute or ordinance committed by or with the consent of the insured;

(4) For which the insured has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages that the insured would have in the absence of the contract or agreement; or

(5) Arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants at any time.

b. "Advertising injury" arising out of:

(1) Breach of contract, other than misappropriation of advertising ideas under an implied contract;

(2) The failure of goods, products or services to conform with advertised quality or perfor-

(3) The wrong description of the price of goods, products or services; or

(4) An offense committed by an insured whose business is advertising, broadcasting, publishing or telecasting.

c. Any loss, cost or expense arising out of any:

(1) Request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants; or

(2) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

COVERAGE C. MEDICAL PAYMENTS

1. Insuring Agreement.

a. We will pay medical expenses as described below for "bodily injury" caused by an accident:

(1) On premises you own or rent;

(2) On ways next to premises you own or rent; or

(3) Because of your operations;

provided that:

(1) The accident takes place in the "coverage territory" and during the policy period;

(2) The expenses are incurred and reported to us within one year of the date of the accident; and

(3) The injured person submits to examination, at our expense, by physicians of our choice as often as we reasonably require.

b. We will make these payments regardless of fault. These payments will not exceed the applicable limit of insurance. We will pay reasonable expenses for:

(1) First aid administered at the time of an accident;

(2) Necessary medical, surgical, x-ray and dental services, including prosthetic devices; and

(3) Necessary ambulance, hospital, professional nursing and funeral services.

2. Exclusions.

We will not pay expenses for "bodily injury":

a. To any insured.

b. To a person hired to do work for or on behalf of



- c. To a person injured on that part of premises you own or rent that the person normally occupies.
- d. To a person, whether or not an "employee" of any insured, if benefits for the "bodily injury" are payable or must be provided under a workers' compensation or disability benefits law or a similar law.
- e. To a person injured while taking part in athletics.
- f. Included within the "products-completed operations hazard."
- g. Excluded under Coverage A.
- h. Due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution.

#### SUPPLEMENTARY PAYMENTS - COVERAGES A AND B

We will pay, with respect to any claim we investigate or settle or any "suit" against an insured we defend:

1. All expenses we incur.
2. Up to \$250 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which the Bodily Injury Liability Coverage applies. We do not have to furnish these bonds.
3. The cost of bonds to release attachments, but only for bond amounts within the applicable limit of insurance. We do not have to furnish these bonds.
4. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit," including actual loss of earnings up to \$250 a day because of time off from work.
5. All costs taxed against the insured in the "suit."
6. Prejudgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the applicable limit of insurance, we will not pay any prejudgment interest based on that period of time after the offer.
7. All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable limit of insurance.

These payments will not reduce the limits of insurance. If we defend an insured against a "suit" and an indemnitee of the insured is also named as a party to the "suit," we will defend that indemnitee if all the following conditions are met:

- a. The "suit" against the indemnitee seeks damages for which the insured has assumed the liability of the indemnitee in a contract or agreement that is an "insured contract";
- b. This insurance applies to such liability assumed by the insured;
- c. The obligation to defend, or the cost of the defense

insured in the same "insured contract";

- d. The allegations in the "suit" and the information we know about the "occurrence" are such that no conflict appears to exist between the interests of the insured and the interests of the indemnitee;
- e. The indemnitee and the insured ask us to conduct and control the defense of that indemnitee against such "suit" and agree that we can assign the same counsel to defend the insured and the indemnitee; and
- f. The indemnitee:

(1) Agrees in writing to:

- (a) Cooperate with us in the investigation, settlement or defense of the "suit";
- (b) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the "suit";
- (c) Notify any other insurer whose coverage is available to the indemnitee; and
- (d) Cooperate with us with respect to coordinating other applicable insurance available to the indemnitee; and

(2) provides us with written authorization to:

- (a) Obtain records and other information related to the "suit"; and
- (b) Conduct and control the defense of the indemnitee in such "suit."

So long as the above conditions are met, attorneys fees incurred by us in the defense of that indemnitee, necessary litigation expenses incurred by us and necessary litigation expenses incurred by the indemnitee at our request will be paid as Supplementary Payments. Notwithstanding the provisions of paragraph 2.b.(2) of COVERAGE A - BODILY INJURY AND PROPERTY DAMAGE LIABILITY (Section I - Coverages), such payments will not be deemed to be damages for "bodily injury" and "property damages" and will not reduce the limits of insurance.

Our obligation to defend an insured's indemnitee and to pay for attorneys fees and necessary litigation expenses as Supplementary Payments ends when:

- a. We have used up the applicable limit of insurance in the payment of judgments or settlements; or
- b. The conditions set forth above, or the terms of the agreement described in paragraph f. above, are no longer met.

#### SECTION II - WHO IS AN INSURED

1. If you are designated in the Declarations as:

- a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.
- b. A partnership or joint venture, you are an insured. Your members, your partners and their spouses are also insureds, but only with respect to the



- ...limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.
- d. An organization other than a partnership, joint venture or limited liability company, you are an insured. Your "executive officers" and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.
2. Each of the following is also an insured:
- a. Your "employees," other than either your "executive officers" (if you are an organization other than a partnership, joint venture or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business. However, none of these "employees" is an insured for:
- (1) "Bodily injury" or "personal injury":
- (a) To you, to your partners or members (if you are a partnership or joint venture), to your members (if you are a limited liability company), or to a co-"employee" while that co-"employee" is either in the course of his or her employment or performing duties related to the conduct of your business;
- (b) To the spouse, child, parent, brother or sister of that co-"employee" as a consequence of paragraph (1)(a) above;
- (c) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in paragraphs (1)(a) or (b) above; or
- (d) Arising out of his or her providing or failing to provide professional health care services.
- (2) "Property damage" to property:
- (a) Owned, occupied or used by,
- (b) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by you, any of your "employees," any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).
- b. Any person (other than your "employee"), or any organization while acting as your real estate manager.
- c. Any person or organization having proper tem-
- (1) With respect to liability arising out of the maintenance or use of that property; and
- (2) Until your legal representative has been appointed.
- d. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this Coverage Part.
3. With respect to "mobile equipment" registered in your name under any motor vehicle registration law, any person is an insured while driving such equipment along a public highway with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the equipment, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:
- a. "Bodily injury" to a co-"employee" of the person driving the equipment; or
- b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.
4. Any organization you newly acquire or form, other than a partnership, joint venture or limited liability company, and over which you maintain ownership or majority interest, will qualify as a Named Insured if there is no other similar insurance available to that organization. However:
- a. Coverage under this provision is afforded only until the 90th day after you acquire or form the organization or the end of the policy period, whichever is earlier;
- b. Coverage A does not apply to "bodily injury" or "property damage" that occurred before you acquired or formed the organization; and
- c. Coverage B does not apply to "personal injury" or "advertising injury" arising out of an offense committed before you acquired or formed the organization.
- No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

### SECTION III - LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:
- a. Insureds;
- b. Claims made or "suits" brought; or
- c. Persons or organizations making claims or bringing "suits."

**Representations**

By accepting this policy, you agree:

- a. The statements in the Declarations are accurate and complete;
- b. Those statements are based upon representations you made to us; and
- c. We have issued this policy in reliance upon your representations.

**7. Separation Of Insureds**

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this Coverage Part to the first Named Insured, this insurance applies:

- a. As if each Named Insured were the only Named Insured; and
- b. Separately to each insured against whom claim is made or "suit" is brought.

**8. Transfer Of Rights Of Recovery Against Others To Us**

If the insured has rights to recover all or part of any payment we have made under this Coverage Part, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

**9. When We Do Not Renew**

If we decide not to renew this Coverage Part, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than 30 days before the expiration date.

If notice is mailed, proof of mailing will be sufficient proof of notice.

**SECTION V -- DEFINITIONS**

1. "Ambulance" means any aircraft, "auto" or watercraft equipped for transporting the sick or injured.
2. "Auto" means a land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment. But "auto" does not include "mobile equipment".
3. "Bodily injury" means bodily injury, sickness, or disease sustained by a person, including death resulting from any of these at any time.

**4. "Coverage territory" means:**

- a. The United States of America (including its territories and possessions), Puerto Rico and Canada; and
- b. All parts of the world if the insured's responsibility to pay damages is determined in a "suit" on the merits in the territory described in Paragraph a. above or in a settlement we agree to.

**5. "Employee" includes a "leased worker". "Employee" does not include "temporary worker".****6. "Executive officer" means a person holding any of the officer positions created by your charter, constitution, by-laws or any other similar governing document.****7. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker".****8. "Medical incident" means any act or omission:**

- a. In the providing of or failure to provide professional health care services to your patients, including:

(1) The providing or dispensing of food, beverages, medications or medical supplies or appliances in connection with such services; and

(2) The handling or treatment of dead bodies, including autopsies, organ donation or other procedures.

- b. Arising out of the service by any person as a:

(1) Member of a formal accreditation, standards review or equivalent professional board or committee of the Named Insured; or

(2) Person charged with executing the directives of such board or committee.

**9. "Mobile equipment" means any of the following types of land vehicles, including any attached machinery or equipment:**

a. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;

b. Vehicles maintained for use solely on or next to premises you own or rent;

c. Vehicles that travel on crawler treads;

...not self-propelled or not, maintained primarily to provide mobility to permanently mounted:

- (1) Power cranes, shovels, loaders, diggers or drills; or
- (2) Road construction or resurfacing equipment such as graders, scrapers or rollers;
- e. Vehicles not described in a., b., c. or d. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:
  - (1) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or
  - (2) Cherry pickers and similar devices used to raise or lower workers;
- f. Vehicles not described in a., b., c. or d. above maintained primarily for purposes other than the transportation of persons or cargo.

However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos":

- (1) Equipment designed primarily for:
  - (a) Snow removal;
  - (b) Road maintenance, but not construction or resurfacing; or
  - (c) Street cleaning;

- (4) Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and

- (3) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.

10. "Suit" means a civil proceeding in which damages because of injury to which this insurance applies are alleged. "Suit" includes:

- a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or
- b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.

11. "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.

## APPLICATION OF ENDORSEMENT

1. Our obligation under the Policy to pay damages on your behalf applies only to the amount of damages in excess of any deductible amounts stated in the above Schedule as applicable to such coverages, and the Limits of Insurance set forth in the Declarations applicable to this Endorsement for such coverages will be reduced by the amount of such deductible. The "Aggregate" Limits of Insurance stated in the Declarations of the Policy for such coverages shall be reduced by the application of such deductible amount.

"Allocated Loss Adjustment Expenses" for claims within the deductible shall be paid by you and shall reduce the deductible amounts stated in the above Schedule.

"Allocated Loss Adjustment Expenses" is defined as those expenses under the "Supplementary Payments" section of the Policy which we directly allocate to a particular claim.

2. The deductible amounts stated in the above Schedule on a "per claim" basis and a "per occurrence" basis apply as follows:

A. **PER CLAIM BASIS** - if the deductible is on a "per claim" basis, the deductible amount applies:

1. Under the Bodily Injury Liability or Property Damage Liability Coverage, respectively:
  - a. To all damages because of "bodily injury" sustained by one person, or
  - b. To all damages because of "property damage" sustained by one person or organization, as the result of any one "occurrence".

2. Under Bodily Injury Liability and Property Damage Liability Coverage combined, to all damages because of "bodily injury" and "property damage" sustained by one person or organization as the result of any one "occurrence".

3. Under the Personal and Advertising Injury Coverage, to all damages because of "personal injury" and "advertising injury" sustained by one person or organization as the result of any one "occurrence".

B. **PER OCCURRENCE BASIS** - if the deductible is on a "per occurrence" basis, the deductible amount applies:

1. Under Bodily Injury Liability or Property Damage Liability Coverage, respectively:
  - a. To all damages because of "bodily injury" as the result of any one "occurrence", or
  - b. To all damages because of "property damage" as the result of any one "occurrence"
  - c. To all damages because of "medical incident" as the result of any one "occurrence"

regardless of the number of persons or organizations who sustain damages because of that "occurrence".

2. Under Bodily Injury Liability and Property Damage Liability Coverage combined, to all damages because of "bodily injury" and "property damage" as the result of any one "occurrence" regardless of the

- d. All costs taxed against the insured in the suit.
- e. Prejudgment interest awarded against the insured on the part of the judgment we pay. If we make an offer to pay the applicable limit of insurance, we will not pay any prejudgment interest based on the period of time following the offer.
- f. All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable limit of insurance.

These payments will not reduce the limits of insurance.

## SECTION II - WHO IS AN INSURED

- 1. If you are designated in the Declarations as:
    - a. An individual, you, your spouse, and your family members are insureds, but only with respect to the conduct of a business of which you are the sole owner.
    - b. A partnership or joint venture, you are an insured.
    - c. An organization other than a partnership or joint venture, you are an insured. Your directors and stockholders are also insureds, but only with respect to their liability as your directors or stockholders.
  - 2. The following is also an insured:
    - a. Each of your partners, executive officers and employees who is authorized to administer your employee benefit program.
  - 3. Any organization you newly acquire or form, other than a partnership or joint venture, and over which you maintain ownership or majority interest, will qualify as a Named Insured if there is no other similar insurance available to that organization. However:
    - a. Coverage under this provision is afforded only until the 90th day after you acquire, or form the organization or the end of the policy period, whichever is earlier.
    - b. Coverage under this provision does not apply to any negligent act, error or omission that was committed before you acquired or formed the organization.
- No person or organization is an insured with respect to the conduct of any current or past partnership or joint venture that is not shown as a Named Insured in the Declarations.

## SECTION III - LIMITS OF INSURANCE

- 1. The Limits of Insurance shown in the Declarations and the rules below determine the most we will pay regardless of the number of:
  - a. Insureds;
  - b. Claims made or suits brought;
  - c. Persons or organizations making claims or bringing suits.
- 2. The "Aggregate Limit" is the most we will pay for all damages under this coverage.

3. Subjct to 2. above, the 'Each Employee Limit' is the most we will pay for all damages to any one employee including dependents and beneficiaries.

The limits of this Coverage Part apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after one or more 12 month periods for a period of less than 12 months. In that case the additional period will be deemed as part of the last preceding period for purposes of determining the Limits of Insurance.

#### SECTION IV - DEDUCTIBLE

1. Our obligation to pay damages on behalf of the insured applies only to the amount of damages in excess of the deductible amount stated in Item 4 of the Declarations as applicable to 'Each Employee'. The limits of insurance applicable to 'Each Employee' will not be reduced by the amount of this deductible. The 'Aggregate Limit' shall not be reduced by the application of such deductible amount.
2. Claims resulting from the same negligent act(s), error(s) or omission(s) of one or more of the insureds are a single claim, and only one deductible applies.
3. We may pay all or part of the deductible in order to settle any claim. You will pay us promptly for any deductible amount we pay.

#### SECTION V - CONDITIONS

1. Bankruptcy

If you or your estate becomes bankrupt or insolvent, we will still be bound by the provisions of this Coverage Part.

2. Duties in the Event Of An Act, Error or Omission, Claim or Suit

- a. You must see to it that we are notified as soon as practicable of an act, error or omission which may result in a claim. To the extent possible, notice should include:

- (1) How, when and where the act, error or omission took place; and
- (2) The names and addresses of any employees who may suffer damages as a result of the act, error or omission.

- b. If a claim is received by any insured you must:

- (1) Immediately record the specifics of the claim and the date received; and
- (2) Notify us as soon as practicable.

You must see to it that we receive written notice of the claim as soon as practicable.

- c. You and any other involved Insured must:

- (1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or a suit;
- (2) Authorize us to obtain records and other information;
- (3) Cooperate with us in the investigation, settlement or defense of the claim or suit; and
- (4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of damages to which this insurance may also apply.

no insureds will, except at their own cost, voluntarily make a payment, assume any obligation, or incur any expense without our consent.

### 3. Other Insurance

If other valid and collectible insurance is available to the insured for a loss we cover under this Coverage Part, our obligations are limited as follows:

#### a. Primary Insurance

This insurance is primary except when (b) below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in (c) below.

#### b. Excess Insurance

This insurance is excess over any other insurance, whether primary, excess, contingent or on any other basis:

- (1) That is effective prior to the effective date of the insurance and that applies to damages on other than a claims-made basis, if;

- (i) no Retroactive Date is shown in the Declarations of this insurance; or

- (ii) the other insurance has a policy period which continues after the Retroactive Date shown in the Declarations page of this Coverage Part.

When this insurance is excess, we will have no duty to defend any claim or suit that any other insurer has a duty to defend. If no other insurer defends, we will undertake to do so, but we will be entitled to exercise the insured's rights against all those other insurers.

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

- (2) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and
- (3) The total of all deductible and self-insured amounts under all that other insurance.

We will share the remaining loss, if any, with any other insurance that is not described in this Excess Insurance provision and was not bought specifically to apply in excess of the Limits of Insurance shown in the Declarations of this Coverage Part.

#### c. Method of Sharing

If all of the other insurance permits contribution by equal shares, we will follow the method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the Loss remains, whichever comes first.

If any other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

### 4. Legal Action Against Us

You may not bring any suit or legal action against us to recover a claim unless the terms of this policy have been complied with. Nor can suit be brought against us until the amount of a claim against you has been determined or agreed upon.

CGBP 73 20 10 93  
GL 00 R033 02 0396

We will compute all premiums for this policy in accordance with our rules and rates. Premiums shown in this policy as "advance premium" are deposit premiums only. The premiums developed by the audit are due and payable on notice to the first Named Insured. If the total advance and audit premiums paid for the policy period are greater than the earned premium, we will return the excess amount.

The first Named Insured:

- a. is responsible for the creation and maintenance of records of the information we need for premium computation; and
- b. must send us copies of records we request.

6. Arbitration

If a claim against any insured goes to arbitration, we shall be entitled to exercise the insured's rights in the choice of arbitrators.

7. Separation of Insureds

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned to the first Named Insured, this insurance applies:

- a. As if each Named Insured were the only Named Insured; and
- b. Separately to each insured against whom claim is made or suit is brought.

8. Transfer of Rights of Recovery Against Others To Us

Any person to whom or for whom we make payment must transfer to us his or her rights of recovery against any other party. This person must do everything needed to secure and preserve these rights. He or she must do nothing after the loss that would jeopardize them.

## SECTION VI - EXTENDED REPORTING PERIOD

1. We will provide an automatic Extended Reporting Period as described in paragraph 3. or, if you purchase it, an Extended Reporting Period Endorsement as described in paragraph 4. only if:
  - a. This Coverage Part is cancelled or not renewed for any reason; or
  - b. We renew or replace this Coverage Part with other insurance that has a Retroactive Date later than the one shown in this Coverage Part's Declarations.

2. If we provide an Extended Reporting Period, the following is added to paragraph 1.b. of INSURING AGREEMENT - SECTION 1:

- a. A claim first made during the Extended Reporting Period will be deemed to have been made on the last day of the policy period provided that the claim is for damages because of an act, error or omission that occurred before the end of the policy period of this policy (but not before any applicable Retroactive Date).

The Extended Reporting Period will not reinstate or increase the Limits of Insurance or extend the policy period.

3. The automatic Extended Reporting Period will be for 60 days, starting with the end of the policy period of this policy. This automatic Extended Reporting Period applies only if no subsequent insurance you purchase applies to the claim, or would apply but for the exhaustion of its applicable limit of insurance.

CGBP 73 20 10 93  
GL 00 R033 02 0396



This automatic Extended Reporting Period may not be cancelled.

4. If you purchase the optional Extended Reporting Period Endorsement, the Extended Reporting Period will be for one year, starting with the end of the policy period of this policy. We will issue that Endorsement if the first Named Insured shown in the Declarations:

- a. Makes a written request for it which we receive within 60 days after the end of the policy period; and
- b. Promptly pays the additional premium when due.

The Extended Reporting Period Endorsement will not take effect unless the additional premium is paid when due. If that premium is paid when due, the endorsement may not be cancelled.

The Extended Reporting Period Endorsement will also amend Paragraph 3, Other Insurance of CONDITIONS (Section V) so that the insurance provided will be excess over any other valid and collectible insurance available to the insured, whether primary, excess, contingent or on any other basis, whose policy period begins or continues after the Endorsement takes effect.

5. We will determine the actual premium for the Extended Reporting Period Endorsement in accordance with our rules and rates. In doing so, we may take into account the following:

- a. The exposures insured;
- b. Premiums, types and amounts of insurance;
- c. Limits of Insurance available under this Coverage Part for future payment of damages; and
- d. Other related factors.

The premium for the Extended Reporting Period Endorsement will not exceed 200% of the annual premium for the Coverage Part to which the endorsement would be attached and will be fully earned when the Endorsement takes effect.

6. If the optional Extended Reporting Endorsement is in effect, we will provide a separate aggregate limit of insurance equal to the dollar amount shown in the declarations in effect at the end of the policy period. The separate aggregate limit shall only apply to claims first received and recorded during the Optional Extended Reporting Period.

#### SECTION VII - DEFINITIONS

##### 1. Administration -

- a. Counseling employees, including their dependents and beneficiaries, with respect to the employee benefit program;
- b. Handling records in connection with the employee benefit program; or
- c. Effecting or terminating any employee's participation in a plan included in the employee benefit program.

##### 2. Advertising Injury - Injury arising out of one or more of the following offenses:

- a. oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products, or services;
- b. oral or written publication of material that violates a person's right of privacy;
- c. misappropriation of advertising ideas or style of doing business; or

(The Attaching Clause need be completed only when this endorsement is issued subsequent to preparation of the policy.)

GU 207  
(6-78)

ENDORSEMENT

This endorsement, effective on \_\_\_\_\_ at 12:01 A.M. standard time, forms a part of  
Policy No. NGB 0151564-00 of the  
Issued to. INTEGRATED HEALTH SERVICES, INC.



Authorized Representative

THESE PAYMENTS WILL BE CONSIDERED PART OF DAMAGES AND WILL REDUCE THE LIMITS OF INSURANCE.

IF WE DEFEND AN INSURED AGAINST A "SUIT" AND AN INDEMNITEE OF THE INSURED IS ALSO NAMED AS A PARTY TO THE "SUIT", WE WILL DEFEND THAT INDEMNITEE IF ALL OF THE FOLLOWING CONDITIONS ARE MET:

- a. THE "SUIT" AGAINST THE INDEMNITEE SEEKS DAMAGES FOR WHICH THE INSURED HAS ASSUMED THE LIABILITY OF THE INDEMNITY IN A CONTRACT OR AGREEMENT THAT IS AN "INSURED CONTRACT",
- b. THIS INSURANCE APPLIES TO SUCH LIABILITY ASSUMED BY THE INSURED;
- c. THE OBLIGATION TO DEFEND, OR THE COST OF THE DEFENSE OF, THAT INDEMNITEE, HAS ALSO BEEN ASSUMED BY THE INSURED IN THE SAME "INSURED CONTRACT";
- d. THE ALLEGATIONS IN THE "SUIT" AND THE INFORMATION WE KNOW ABOUT THE "OCCURRENCE" ARE SUCH THAT NO CONFLICT APPEARS TO EXIST BETWEEN THE INTERESTS OF THE INSURED AND THE INTERESTS OF THE INDEMNITEE;
- e. THE INDEMNITEE AND THE INSURED ASK US TO CONDUCT AND CONTROL THE DEFENSE OF THAT INDEMNITEE AGAINST SUCH "SUIT" AND AGREE THAT WE CAN ASSIGN THE SAME COUNSEL TO DEFEND THE INSURED AND THE INDEMNITEE; AND
- f. THE INDEMNITEE:
  - (1) AGREES IN WRITING TO:

GU 207 (6-78)

(The Attaching Clause need be completed only when this endorsement is issued subsequent to preparation of the policy.)

GU 207  
(6-78)

ENDORSEMENT

This endorsement, effective on \_\_\_\_\_ at 12:01 A.M. standard time, forms a part of  
Policy No. NGB 0151564-00 \_\_\_\_\_ of the  
Issued to. INTEGRATED HEALTH SERVICES, INC.



Authorized Representative

- (a) COOPERATE WITH US IN THE INVESTIGATION, SETTLEMENT OR DEFENSE OF THE " SUIT" ;
  - (b) IMMEDIATELY SEND US COPIES OF ANY DEMANDS, NOTICES, SUMMONSES OR LEGAL PAPERS RECEIVED IN CONNECTION WITH THE " SUIT" ;
  - (c) NOTIFY ANY OTHER INSURER WHOSE COVERAGE IS AVAILABLE TO THE INDEMNITEE; AND
  - (d) COOPERATE WITH US WITH RESPECT TO COORDINATING OTHER APPLICABLE INSURANCE AVAILABLE TO THE INDEMNITEE; AND
- (2) PROVIDES US WITH WRITTEN AUTHORIZATION TO:
- (a) OBTAIN RECORDS AND OTHER INFORMATION RELATED TO THE " SUIT" ; AND
  - (b) CONDUCT AND CONTROL THE DEFENSE OF THE INDEMNITEE IN SUCH " SUIT" .

SO LONG AS THE ABOVE CONDITIONS ARE MET, ATTORNEYS FEES INCURRED BY US IN THE DEFENSE OF THAT INDEMNITEE, NECESSARY LITIGATION EXPENSES INCURRED BY US AND NECESSARY LITIGATION EXPENSES INCURRED BY THE INDEMNITEE AT OUR REQUEST WILL BE PAID AS SUPPLEMENTARY PAYMENTS. NOTWITHSTANDING THE PROVISIONS OF PARAGRAPH 2.b.(2) OF COVERAGE A-BODILY INJURY AND PROPERTY DAMAGE LIABILITY (SECTION I-COVERAGES), SUCH PAYMENTS WILL BE DEEMED TO BE PART OF DAMAGES AND WILL REDUCE THE LIMITS OF INSURANCE.

OUR OBLIGATION TO DEFEND AN INSURED'S INDEMNITEE AND TO PAY FOR ATTORNEYS FEES AND NECESSARY LITIGATION EXPENSES AS SUPPLEMENTARY PAYMENTS ENDS WHEN:

- a. WE HAVE USED UP THE APPLICABLE LIMIT OF INSURANCE; OR
- b. THE CONDITIONS SET FORTH ABOVE, OR THE TERMS OF THE AGREEMENT DESCRIBED IN PARAGRAPH f, ABOVE, ARE NO LONGER MET.

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